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RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS STATE 076708

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E.O. 12958: N/A
TAGS: [AORC](#) [KNNP](#) [IAEA](#) [ENRG](#) [TRGY](#) [RS](#)
SUBJECT: NUCLEAR FUEL BANKS - CAPITALIZING ON THE JUNE
2009 BOG

11. (U) This is an ACTION REQUEST: Please see para 13.

SUMMARY

12. (SBU) A step forward on fuel assurances was taken at the June 2009 meeting of the International Atomic Energy Agency (IAEA) Board of Governors (BOG), at which the Board considered two concrete nuclear fuel bank proposals. For the first time, non-aligned states moved beyond rhetoric to raise specific concerns regarding the actual implementation of an international nuclear fuel bank. Department, with interagency input, has crafted a strategy designed to capitalize on this momentum and to move this initiative forward in a manner that addresses the concerns of all parties. In particular, we will hold consultations with both donor and recipient states over the coming months to identify specific reservations about current proposals.

13. (SBU) In addition, UNVIE is instructed to encourage the IAEA Secretariat to develop a discussion paper based on views expressed at the June Board to serve as a basis for continued dialog at the September Board. UNVIE is further instructed to urge the IAEA to bring forward detailed proposals for the Angarsk fuel reserve as soon as possible and to encourage the IAEA to revise its proposal for an IAEA fuel bank, to reflect Member State concerns, by the November Board. This will be significant as the final Board meeting under the tenure of Director General ElBaradei. The upcoming change of leadership at the IAEA has led the Nuclear Threat Initiative (NTI), whose challenge grant initiated the IAEA fuel bank proposal, to request intensified U.S. diplomacy in a letter from former Senator Sam Nunn.

BACKGROUND

14. (SBU) On July 6, 2009 Senator Sam Nunn, Co-Chairman and Chief Executive Officer of the Nuclear Threat Initiative (NTI), sent a letter to Secretary Clinton, Secretary Chu, and National Security Advisor Jones expressing concern with the slow progress on the International Atomic Energy Agency (IAEA) fuel bank. The effort to establish this fuel bank was initiated by a \$50 million challenge grant from NTI, in response to which matching funds have been pledged by the United States, the EU, the United Arab Emirates, Kuwait, and Norway. To help move this initiative forward, Nunn requested

that the U.S. lead a high-level diplomatic effort in capitals of key skeptics to try and encourage realization of the initiative before the conclusion of Mohamed ElBaradei's tenure as IAEA Director General (DG).

15. (SBU) In addition, the letter implicitly endorsed the release criteria of the draft IAEA fuel bank proposal, as opposed to the stronger criteria of a separate nuclear fuel reserve proposed by Russia to be located at Angarsk. Notably, the release criteria of the IAEA fuel bank are weaker than Nuclear Suppliers Group (NSG) guidelines, and therefore inconsistent with domestic export requirements of most donor states, whereas the Russian proposal calls for fuel to be released in a manner consistent with its national laws and policies.

MEETING WITH NTI

16. (SBU) To coordinate a common USG response to the Nunn letter, the Department of State held an interagency meeting on July 15 with a representative from NTI. Participants included Laura Holgate from NTI; Jim Timbie, Alex Burkart, Buzz Carnahan, Meha Shah, and Marc Humphrey from State; Mark Scheland from UNVIE; Rich Goorevich and Sean Oehlbert from the National Nuclear Security Administration; Bill Szymanski from the Department of Energy; and Joyce Connery from the National Security Council.

17. (SBU) Timbie told Holgate that the United States backs fuel banks in principle but is not in a position to support the IAEA proposal as drafted, because it would allow release of nuclear material under conditions weaker than the NSG guidelines and, thus, undercut U.S. law. Holgate responded that NTI supports the proposal as-is, since it views an IAEA fuel bank to be a mechanism of absolute last resort (which may never actually be used). The "non-stringent" release criteria would be important, she added, to achieve broad acceptance of the mechanism, which was intended to be just one of many different options. Goorevich, in turn, explained that USG funds (nearly \$50 million from the DOE) must be used in accordance with U.S. law. Others speculated that the same standard would apply to most other donor states, and particularly the EU.

18. (SBU) Timbie stated that the USG believes the Russian proposal would be a useful precedent that would allow for donors to provide LEU through the IAEA to recipients in a manner consistent with their national laws and policies. The United States would therefore encourage Russia and the IAEA to bring the Angarsk reserve proposal forward for approval as soon as possible, and encourage others to support the Russian proposal as well.

19. (SBU) Holgate explained that the purpose of the Nunn letter was not to endorse the release criteria of the IAEA proposal, but to encourage the United States to make high-level demarches to capitals of key skeptics (namely Argentina, Brazil, India, and Egypt). Burkart noted that the recent June meeting of the IAEA Board of Governors (BOG) was constructive and marked a replacement of empty rhetoric by substantive debate about implementation details. Since specific issues (e.g., access criteria, liability, and finance) were now being discussed, general demarches would be of less utility than expert exchanges on particular concerns. Above all, Burkart added, the United States and other supplier states should enter into a listening mode in an effort to understand the chief concerns of skeptical members and demonstrate that their concerns are being taken seriously. This approach was employed with some success during a June 30 bilateral meeting with Argentine officials at the Department of State.

110. (SBU) Burkart and Scheland strongly suggested steps be taken to capitalize on the forward momentum from the June BOG. Scheland suggested that discussions should be held to distill "nuts and bolts concerns" from BOG states, including

red-lines, which could be used to inform the Secretariat. Burkart suggested that the Secretariat could compile a list of issues, along with suggested steps to address them, into a discussion document to put before the BOG in September. Outputs from the September BOG could then be used to further refine the IAEA fuel bank and Angarsk fuel reserve proposals.

USG STRATEGY FOR SEPTEMBER BOG AND BEYOND

¶11. (SBU) Washington recommends a three-point strategy to capitalize on the momentum generated at the June 2009 Board. First, the United States should consult with donors to come up with a common view that those who provide LEU to the fuel bank would, consistent with the NSG guidelines, apply the restrictions called for by their national laws and policies. An initial demarche will be delivered by State Department experts on July 20 to a visiting joint delegation from the European Council and European Commission (headed by Annalisa Giannella, Personal Representative of High Representative Solana for Non-Proliferation of WMD, and Richard Wright, DG RELEX Director of Crisis Platform and Policy Coordination). Further demarches to EU and other supplier states will be sent septel. Second, the United States will engage key skeptical states. Follow-up demarches will be sent to our missions in Argentina, Brazil, Egypt, and India. The objective of these two sets of consultations would be to gather input on the full spectrum of concerns, which could then form a basis of feedback for the IAEA.

¶12. (SBU) Third, the United States should consult with the IAEA Secretariat to develop a common understanding of realistic outcomes for the September BOG and beyond. For example, this could include a continuation of the June Board discussions in September, with an effort to put an IAEA fuel bank proposal on the formal agenda for the November Board. Simultaneously, we should urge the IAEA and Russia to put details of the Angarsk proposal (specifically the two agreements that will govern its operation) before the BOG as soon as possible.

ACTION REQUEST

¶13. (SBU) UNVIE is requested to convey the following points to appropriate officials in the IAEA Secretariat as soon as possible.

BEGIN TALKING POINTS:

-- The United States was encouraged by the thoughtful discussion on fuel assurances at the June Board of Governors meeting.

-- For the first time, Member State interventions moved beyond rhetoric and began to address explicit concerns about fuel bank implementation.

-- We believe this was facilitated by the fact that concrete proposals were put before the Board, which enabled states to provide constructive comments.

-- We hope this positive momentum will be sustained at the September Board.

-- We encourage the IAEA to compile a list of issues raised at the June Board, along with suggested points on how to address them, into a "discussion document" to put before the Board in September.

-- Outputs from the September Board could then be used to further develop the IAEA fuel bank and Angarsk fuel reserve proposals.

-- We encourage the IAEA to refine its fuel bank proposal in a manner that reflects the concerns of all Member States,

including those of both potential recipients and suppliers.

-- The United States believes that the Angarsk proposal is nearing a state that will be acceptable to the Board of Governors.

-- We urge the IAEA to work with Russia to bring the final operating agreements for this mechanism before the Board for approval as soon as possible.

END TALKING POINTS.

¶14. (SBU) (U) Department thanks Post for its assistance in this matter. Department points of contact for working-level fuel assurance issues are Marc Humphrey and Burrus Carnahan (ISN/NESS).
CLINTON